



**National Association
of Federal Credit Unions**
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NAFCU | Your Direct Connection to Education, Advocacy & Advancement

July 13, 2015

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

RE: Response to Request for Information on Student Loan Servicing

Dear Ms. Jackson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the request for input on the Student Loan Servicing market. NAFCU appreciates the Consumer Financial Protection Bureau's (CFPB) initiative to study the private student lending and student loan servicing market to ensure that our nation's students have access to financial services and resources. While NAFCU supports the CFPB's acute attention to this market, NAFCU and our members believe that additional regulations in this area are premature and could have the unintended consequence of reducing access to credit for student borrowers.

On March 10, 2015, the President signed a Presidential Memorandum titled the "Student Aid Bill of Rights," which directed the CFPB along with other executive agencies to take a number of steps to improve student loan borrowers' experience in repayment, with a focus on improving student loan servicing. The memorandum requires the agencies to issue a report to the President "after assessing the potential applicability of consumer protections in the mortgage and credit card markets to student loans, [on] recommendations for statutory or regulatory changes in this area, including, where appropriate, strong servicing standards." *See* 80 FR 13475 (Mar. 10, 2015). In conjunction with this effort, the CFPB held a public hearing on the private student loan servicing market and released a Request for Information (RIF) to solicit feedback related to "industry practices that create repayment challenges, hurdles for distressed borrowers, and the economic incentives that may affect the quality of service." *Id.*

NAFCU and our members support the CFPB's efforts to provide better information to students, such as its "Know Before You Owe: Student Loans Project" that seeks to provide student borrowers more information prior to taking out a loan. NAFCU believes that students should have access to transparent information about a variety of safe and vital

financial services, specifically student loans to pay for their education. However, premature regulations on student lenders and student loan services may negatively harm the ability of well-regulated credit unions to serve this important student demographic.

As not-for-profit, member-focused financial institutions, credit unions are uniquely situated to meet the needs of student consumers, since credit unions have a long track record of providing exemplary financial services at low fees and competitive rates. The structure of credit unions allows each institution to pass their earnings directly to their student members – not stockholders – in the form of lower interest rates and fees, particularly on private student loans. NAFCU would urge that in any potential rulemaking the CFPB first consider the unique business model of credit unions as member-owned cooperatives. In the CFPB's annual report from 2013 and 2014, the Bureau does not cite any credit unions among problematic student lenders, because credit unions have a different relationship with their members. Instead, credit unions are more likely to work with those borrowers that start to have financial difficulties to find a solution that works for both the credit union and the member.

While NAFCU strongly supports transparency and consumer protections across all financial markets, the CFPB should be wary of simply directly applying existing regulations from the mortgage and credit card markets to student loans without considering the unique characteristics of the student lending market. In many cases, student borrowers have no credit history and limited experience with financial service providers. Lenders must make lending decisions with less credit information than they have prior to making a home loan or granting a line of credit. Additionally, with the costs of tuition at the highest level in history, student loans are much larger than in the past. This makes access to credit for students that much more vital, but it also increases the risk that financial institutions must incur to make student loans. NAFCU cautions the CFPB against proposing any drastic regulations in this market that could have the unintended consequence of increasing the regulatory burden for credit unions and thereby reducing student borrowers' access to lower-cost credit from safe and reliable credit unions.

NAFCU appreciates the opportunity to share our thoughts on how the CFPB can improve the transparency and efficiency of the student loan servicing market. As the Bureau continues its study of the student loan servicing market, NAFCU and our members hope to be a resource for CFPB staff to share our insights and experiences in the student lending markets. Should you have any questions or concern, or if you would like to discuss this issue further, please feel free to contact me at ksubramanian@nafcub.org or (703) 842-2212.

Sincerely,



Kavitha Subramanian
Regulatory Affairs Counsel